



HONG KONG MONETARY AUTHORITY

香港金融管理局

Our Ref: B1/15C

17 February 2022

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Complaints Watch

The Hong Kong Monetary Authority (HKMA) has today published the nineteenth issue of its Complaints Watch.

Complaints Watch is a periodic newsletter prepared by the HKMA to share with the banking industry information on complaints received by the HKMA. It highlights the latest complaint trends, emerging topical issues, and shares good practices that authorized institutions (AIs) may find helpful. It forms part of the HKMA's work to promote proper standards of conduct and prudent business practices among AIs.

A copy of the nineteenth issue of the Complaints Watch is enclosed for your perusal. You may wish to forward it to members of your institution who have responsibilities for the selling of retail and investment products, risk management, compliance and complaint handling for reference.

Should you have any questions regarding this Complaints Watch, please contact us at bankcomplaints@hkma.gov.hk.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)

Encl.



Complaints Watch

Issue No. 19
17 February 2022

Complaints Watch is published by the Complaint Processing Centre (CPC) of the Hong Kong Monetary Authority (HKMA). It highlights the latest complaint trends, emerging topical issues, and areas that Authorized Institutions (AIs) may wish to place greater focus on. It forms part of the HKMA's work to promote proper standards of conduct and prudent business practices among AIs.

Complaint statistics

Jan 2021 to Dec 2021	General banking services	Conduct-related issues	Total
In progress as of 31 Dec 2020	369	182	551
Received during the period	2,652	309	2,961
Completed during the period	(2,535)	(357)	(2,892)
In progress as of 31 Dec 2021	486	134	620

The HKMA received 2,961 complaints against AIs and/or their staff in 2021. The major types of complaints received were related to credit card issues (535), provision of banking services (494), service quality (360), remittance services (260), lending business / decisions (218), and client agreement issues (151). In January 2022, 232 complaints were lodged with the HKMA against banking products and services.

Protection of Vulnerable Customers in Digital Banking

Digital banking channels are becoming more popular and customers across different age groups are increasingly using internet banking and mobile banking app to access banking and investment services. It is therefore important that AIs remain vigilant in protecting the interests of vulnerable customers, in particular, for online services and transactions. Some observations from the HKMA's handling of related complaint cases lodged by vulnerable customers are shared below for AIs to better understand the risks and vulnerabilities, and consider enhanced consumer protection measures.

In one complaint case, an AI was in dispute with a vulnerable customer who made an equity-linked investment through internet banking. While the AI's online procedures require customer acknowledgement that he/she had read and understood the information contained in the product fact sheet and risk disclosure statement before the transaction was executed, the complainant considered that the purchased product performed differently from the earlier advice of the bank staff. There was no specific information on whether the complainant has made an informed and conscious decision to forgo his right of having a third party, either of his own choice or a non-sales bank staff, to witness the execution of investment transactions by vulnerable customers.

In another case, the AI concerned found suspicion when following up an enquiry by a vulnerable customer about details of an investment transaction done through internet banking, in that the customer seemed to have no knowledge about the product while frequent online investment transactions were conducted over the past two years. The vulnerable customer later revealed that she had indeed shared her internet banking password with someone she trusted.

While transactions conducted through the digital banking channels may suggest that the customers made decisions by themselves without any direct involvement of bank staff in the process, AIs should appropriately monitor such transactions for consumer protection and early detection of irregularities. The HKMA has observed some good practices:

- a) In addition to post-transaction verification which is often implemented by AIs on a sampling basis to ensure customer suitability and detect possible mis-selling by bank staff, some AIs have also extended such call-back procedures to those transactions done through digital banking channels by vulnerable customers to confirm customers' understanding of the risks of investment transactions as well as key terms and conditions of digital banking. Retention of audio records of the call-back confirmations may help provide useful information for resolving potential disputes in the future.
- b) Some AIs made use of SMS, email and/or other available means to swiftly notify customers of their online banking and investment transactions in order to help detect and report irregularities early for appropriate follow-up. AIs should also stay alert to the evolving risks and suspicion revealed from customer enquiries or complaints, and enhance controls and consumer protection as appropriate.
- c) A number of AIs had resolved monetary disputes with complainants satisfactorily through the Financial Dispute Resolution Centre (**FDRC**), including cases related to digital banking channels. All AIs are members of the Financial Dispute Resolution Scheme and should proactively consider subscribing to the mediation and arbitration services of the FDRC to resolve monetary disputes with complainants.

Selling of Qualifying Deferred Annuity Policies

Qualifying Deferred Annuity Policies (**QDAP**) with tax deductible features were introduced by the Government in 2019 to promote voluntary retirement savings. Alongside more uptake of QDAP, the HKMA also started to receive customer complaints in relation to AIs' selling practices. Insights from handling relevant complaints are shared below for AIs' reference and review of possible room for improvement.

We observed that in one case, the customer indicated interests in subscribing to QDAP for himself and his spouse to maximise the claim in tax deduction, and the AI's staff immediately carried out the selling process of a QDAP product without conducting any suitability assessment for the customer. The AI's staff also provided inappropriate and misleading tax advice upon the customer's enquiries. As a result, the customer misunderstood that he could maximise his tax deduction by electing joint assessment with his spouse even though the latter had no taxable income during the assessment period.

This case highlights the importance of staff training on the selling of QDAP products, including among others, the regulatory requirement to obtain sufficient information in relation to the customer's circumstances and conduct appropriate suitability assessment before making a recommendation of any QDAP product. AIs should effectively communicate to their staff on internal policies/restrictions concerning provision of tax advice to customers and give practical guidance to staff on the handling of tax-related enquiries. Moreover, when introducing QDAP products to customers, apart from the tax deductible feature, proper disclosure and explanation of all key features and risks of

the QDAP products should be provided to customers. In this connection, AIs should refer to the circulars¹ issued by the HKMA and the Insurance Authority, as appropriate, on the regulatory requirements and expected standards concerning the selling of QDAP products.

AIs are reminded of their obligation under the Insurance Authority's Code of Conduct for Licensed Insurance Agents (**the Code**) to have proper controls, procedures and adequate supervision to ensure that their staff who are insurance intermediaries comply with all laws and regulations relevant to the carrying on of regulated activities under the Insurance Ordinance². In their staff training, AIs should also draw the attention of staff members to the importance of an individual's fitness and properness to remain as a licensed person in complying with the AIs' internal policies, procedures and other applicable requirements for the carrying on of regulated activities, including the selling of QDAP products, in accordance with the Code³.

Comments and feedback on *Complaints Watch* are welcome. Please email them to bankcomplaints@hkma.gov.hk.

1 Including “[Selling of Annuity Insurance Products](#)” issued on 6 June 2018, “[Guideline issued by the Insurance Authority on Qualifying Deferred Annuity Policy](#)” issued on 2 April 2019, “[Enhanced Measures on Selling of Annuity Insurance Products](#)” issued on 25 September 2019, and “[Observations from Reviews on Sale of Qualifying Deferred Annuity Policy and Voluntary Health Insurance Scheme Products, and Referral Arrangement of Tax Deductible Voluntary Contributions](#)” issued on 14 September 2021.

2 Paragraph 1(a) of the “Controls and Procedures” subsection under section IX of the Code.

3 Paragraph 1.2 (Compliance) under Section I of the Code.